

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 14, 2001

IN RE:

**CHATTANOOGA GAS COMPANY
ACTUAL COST ADJUSTMENT AUDIT**

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DOCKET NO. 01-00172

**ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY
AUTHORITY'S ENERGY AND WATER DIVISION**

This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on September 25, 2001, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of Chattanooga Gas Company's ("CGC" or the "Company") annual deferred gas cost account filing for the year ended June 30, 2000. The Actual Cost Adjustment Audit Report (the "Report" or "ACA"), attached hereto as Exhibit A, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

As stated in the Report, the Company's ACA filing was received on February 9, 2001. The Staff completed its audit of the Company's filing on August 22, 2001. On August 24, 2001, the Staff issued its preliminary ACA audit findings to the Company, and on September 7, 2001, the Company responded to the Staff's preliminary findings.

The Report states that the Staff's audit resulted in eleven (11) exceptions for the audit period, and the corrected net balance in the Company's Deferred Gas Cost Account should be

\$2,216,335.06. The Report further states that based on the Staff's review, for the current ACA filing period, the Purchased Gas Adjustment ("PGA") mechanism, as calculated in the Actual Cost Adjustment, is working properly and in accordance with the Authority's rules.

The Report states that CGC submitted its filing seven (7) months after the close of the audit period. The Report states that while the Authority's PGA Rules do not require a gas company to submit its ACA filing within a specific period, the Staff expects that the Company will submit its filing within a reasonable amount of time. The Report notes that CGC submitted its previous four (4) ACA filings within four (4) months of the end of the audit period and concludes that four (4) months is a reasonable period for CGC's ACA filing. The Report states that CGC claimed that its delay in submitting the ACA filing occurred because the Company was waiting for a final report from its accounting firm. The Report recommends that the Company establish a time certain in its contract with its accounting firm in order to ensure filing with the Authority within a reasonable time after the close of the audit period.

After consideration of the Report, the Authority unanimously approved and adopted the findings and recommendations contained therein.¹

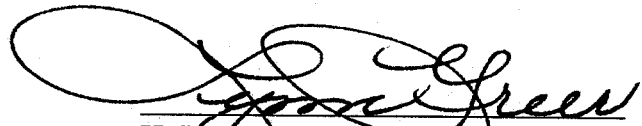
IT IS THEREFORE ORDERED THAT:


1. The Actual Cost Adjustment Audit Report, a copy of which is attached to this order as Exhibit A, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition

¹ At the September 25, 2001 Authority Conference, Director Greer commented on the fact that the Company took seven (7) months to submit its filing. Director Greer stated, "In my opinion, that is a long period of time, and I would encourage them to get those filings in a little more quickly." Director Malone voiced his agreement with this comment. Transcript of Authority Conference, September 25, 2001, p. 18.


for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary